

SENATE BILL REPORT

HB 1267

As Reported By Senate Committee On:
Ways & Means, April 2, 1997

Title: An act relating to a use tax exemption for vessel manufacturers and dealers.

Brief Description: Providing a use tax exemption for vessel manufacturers and dealers.

Sponsors: Representatives B. Thomas, Zellinsky and Dickerson.

Brief History:

Committee Activity: Ways & Means: 3/31/97, 4/2/97 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Long, McDonald, Rossi, Schow, Snyder, Swecker, Thibaudeau, Winsley and Zarelli.

Staff: David Schumacher (786-7474)

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service. In addition, local sales taxes apply. The total tax rate is currently between 7 percent and 8.2 percent, depending on location. Sales tax applies when items are purchased at retail in state. Sales tax is paid by the purchaser and collected by the seller.

Use tax is imposed on the use of an item in this state, when the acquisition of the item has not been subject to sales tax. Use tax applies to items purchased from sellers who do not collect sales tax, items acquired from out-of-state, and items produced by the person using the item. Use tax is equal to the sales tax rate multiplied by the value of the property used. Use tax is paid directly to the Department of Revenue.

The use tax does not apply to the display of inventory by a seller. However, if a seller purchases property without paying retail sales tax and uses the property as a demonstrator, for personal use, or for any purpose other than display as inventory for sale, the use tax applies even if the property may later be sold.

Summary of Bill: Manufacturers and dealers of vessels (water craft) are exempt from use tax when a vessel or vessel trailer is used for the following purposes: testing, training, sales promotion, loaning to a nonprofit organization for up to 72 hours, displaying or demonstrating at a show, delivery to a buyer or person involved in the manufacture or sale of the vessel, and demonstration to a potential buyer.

If the manufacturer or dealer uses the vessel for personal use, the use tax must be based on the reasonable rental value of the vessel used, but only if the vessel is truly held for sale.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This is a long overdue solution to a problem the industry has faced. The industry and the Department of Revenue have worked together to arrive at an equitable solution.

Testimony Against: None.

Testified: John Woodring, Hank Sitko, Northwest Marine Trade Association (pro)..